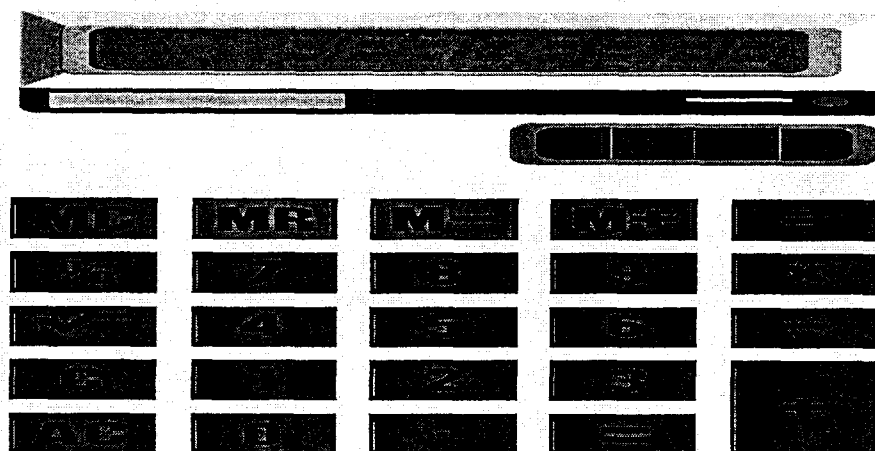
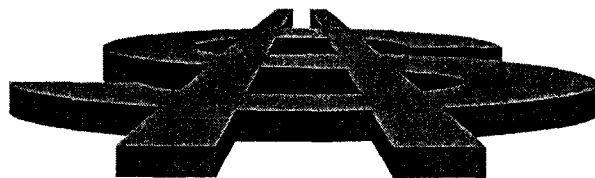
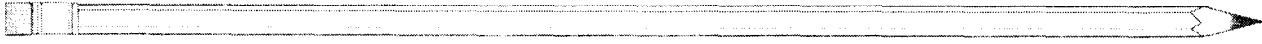




# BUDGET OFFICER'S HANDBOOK



ENGINEER PAMPHLET  
EP 37-1-3  
1 May 1998



DEPARTMENT OF THE ARMY  
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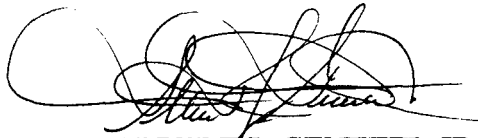
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Financial Administration  
BUDGET OFFICER'S HANDBOOK

1. Purpose. This pamphlet prescribes procedures and sample formats to assist Commanders and Laboratory Directors in establishing and using operating budgets. The procedures support the requirements established in ER 37-1-24, and this pamphlet can be used as an aid in complying with that ER.
2. Applicability. This pamphlet is applicable to all HQUSACE elements and all USACE Commands.
3. References.
  - a. ER 37-1-24, Operating Budgets.
  - b. ER 37-2-10, Accounting and Reporting - Civil Works Activities.
  - c. ER 37-345-10, Accounting and Reporting - Military Activities.
4. General. The formats and procedures may be modified to meet the requirements established by the local commander. Suggested improvements to the operating budget procedures and formats are encouraged and should be forwarded to the Deputy Chief of Staff, Resource Management, Attention: CERM-B.
5. Distribution. Approved for public release; distribution is unlimited.

FOR THE COMMANDER:



ALBERT J. GENETTI, JR.  
Major General, USA  
Chief of Staff

19 Appendices  
(See Table of Contents)

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This pamphlet supersedes EP 37-1-3, dated 15 February 1989

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## CHAPTER 1

### INTRODUCTION

1-1. An operating budget is a formal, written plan that aligns the operating requirements with the funding sources of an organization. An operating budget reflects the missions and specific command objectives of the organization, as well as any limitations and controls (e.g., constraining targets, available funds) imposed upon it. An operating budget provides one the means to control obligations and expenditures against approved funding levels.

1-2. The objective of the operating budget is to provide managers with the ability to plan, organize, staff, and control the operations to accomplish the mission for the fiscal year.

1-3. There are several factors that are critical to the success of an operating budget. The following is a synopsis of those factors that need to be present to create a positive effect on the process.

a. Management Support. Managers at all levels must support the operating budget concept not only in the formulation stage but through the execution stage.

b. Guidelines. Guidance must be issued early to allow sufficient time for logical thought processes to take place, and to allow time for establishing milestone dates, specifying targets and limitations, defining terms, formats, and cost categories.

c. Periodic Review. Operating budgets must be reviewed periodically to determine that the budget is properly executed. Appropriate adjustments can be made after these reviews.

d. Level of Control. The responsibility for budget preparation and execution must be assigned to the level of management that has the responsibility and authority to control costs. Managers should not delegate this responsibility to personnel who do not have the skills and knowledge needed to prepare the organization's operating budget. Budget formulation and execution responsibilities should be incorporated into each appropriate manager's performance standards to ensure accountability.

## CHAPTER 2

### OPERATING BUDGET PROCESS

The operating budget process consists of seven phases. Following is a brief description of each phase.

#### Phase 1. Formulation

This is the initial phase of the operating budget process. Budget Officers identify policies and guidance from HQUSACE and local areas of concern. Budget Officers will also determine the workload (income and expense), identify targets and limitations (planning and design, supervision and administration, overtime, travel, training, awards, etc.), income estimating guidelines and budget milestones.

#### Phase 2. Review and Analysis

Budget Officers review the initial input from the organizations for reasonableness, accuracy, valid assumptions, and past performance. They are also responsible for ensuring rates for departmental overhead, general and administrative overhead, facility accounts and plant accounts are appropriate and reasonable. Budget Officers prepare a proposed budget, identify the impact of alternatives to the proposed budget, make recommendations, and present the proposed budget to the PBAC (Program and Budget Advisory Committee).

#### Phase 3. PBAC Review and Consensus

The PBAC will review the proposed budget and alternatives and will determine a recommended budget for submission to the Commander. The PBAC may identify unfinanced requirements, showing their dollar amounts and justifications. Significant changes will be approved by the PBAC and the Commander.

#### Phase 4. Approval

The Budget Officer submits the PBAC recommended budget and alternatives for final Command approval. The approved operating budget is made available for execution.

#### Phase 5. Execution

Managers obligate and expend funds in accordance with the approved operating budget.

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#### Phase 6. Monitoring

Operating budgets should be monitored on a monthly basis. Feedback reports are available to managers for monitoring actual performance compared to budgeted amounts. The Budget Officer provides periodic execution reports and analysis to the PBAC and the Commander. As a minimum, mid-year review will be completed.

#### Phase 7. Adjustments

Significant operating budget changes identified during the monitoring stage will be summarized and presented to the PBAC and the Commander for approval.